

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 532

(Senator DeGrange, *et al.*)

Budget and Taxation

Civilian Pilots of the Department of State Police - Military Service Credit

This pension bill permits a civilian pilot of the Department of State Police to claim up to five years of military service credit even if the individual is receiving credit for that service from another retirement system for which benefits have been received or will be received.

Fiscal Summary

State Effect: State pension system liabilities would increase by \$2.0 million due to the increased service credit accrued by these members. The increased liabilities would result in a first-year (FY 2007) amortized cost of \$121,000.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	24,200	25,200	26,200	27,400
SF Expenditure	0	96,800	100,800	104,800	109,600
Net Effect	\$0	(\$121,000)	(\$126,000)	(\$131,000)	(\$137,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Pension law grants service credit (up to five years of service) for active military service that occurred prior to enrollment as well as service in the Maryland

National Guard. The individual must have accrued 10 years of creditable service in the State Retirement and Pension System before filing for this military service.

A member of a State system may not receive credit for active duty military service if the member receives credit for that service from another retirement system for which retirement benefits have been or will be received by the member. This prohibition does not apply to credit for military service provided under the Social Security Act, the National Railroad Retirement Act, Title 3 or Title 10 of the United States Code (reserve retirement), or disability payment from a pension or retirement system.

Background: The individuals affected by the bill are retired military pilots, currently receiving a federally-funded military pension.

State Fiscal Effect: Civilian pilots of the State Police are members of the Employees' Pension System (EPS). The State Retirement Agency advises that there 14 potential civilian pilots eligible to claim up to 5 years military service credit, after accruing 10 years of service in EPS. The following chart shows the breakdown of how many pilots are eligible each year to claim the five years military service credit provided under the bill.

<u>Year</u>	<u>Number Eligible</u>
2005	3
2006	0
2007	3
2008	0
2009	1
2010	0
2011	2
2012	3
2013	1
2014	<u>1</u>
Total	14

The State's actuary informally estimates that granting this service credit to each member's retirement calculation would increase State pension liabilities by \$2.0 million. Amortized over 25 years, this liability results in a first-year (fiscal 2007) cost of \$121,000, increasing annually. These costs would be split 80% special funds/20%

general funds, reflecting the funding ratio of the State's Emergency Medical System. The special funds would come from the Maryland Emergency Medical System Operations Fund.

Additional Information

Prior Introductions: None.

Cross File: HB 961 (Delegate G. Clagett, *et al.*) – Appropriations.

Information Source(s): Milliman USA, Department of State Police, Maryland State Retirement Agency, Department of Legislative Services

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